

Green Municipal Fund

Annual Statement of Plans and Objectives 2018–2019



FEDERATION
OF CANADIAN
MUNICIPALITIES

FÉDÉRATION
CANADIENNE DES
MUNICIPALITÉS

Annual Statement of Plans and Objectives 2018–2019
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Introduction

The Government of Canada endowed the Federation of Canadian Municipalities (FCM) with \$500 million to establish the Green Municipal Fund™ (GMF). Today, GMF is a long-term, sustainable source of funding and support services for municipal governments and their partners that are seeking to improve air, water and soil quality and protect the climate.

In Budget 2016, the Government of Canada provided GMF with an additional \$125 million, bringing the total endowment to \$625 million. It offered this additional funding because of GMF's impressive governance track record. Since its inception, GMF has made compelling contributions to advancing sustainability in the Canadian municipal sector. The additional money firmly establishes GMF as a reliable source of funding for municipal governments and their partners.

The Green Municipal Fund is FCM's largest national program and funds the best municipal examples of sustainable solutions to environmental challenges. It helps municipalities share expertise and lessons learned, in the hope that other communities will replicate their successful initiatives. GMF provides municipalities with grants, competitively priced loans and loan guarantees, as well as valuable knowledge resources (e.g. case studies, training and networking opportunities).

GMF's last four-year planning period ended in 2017, prompting it to develop a new strategic plan. Its team, in conjunction with the broader FCM and GMF Council, conducted assessments to identify gaps in GMF's programming as well as new opportunities it could harness. As part of that process, the team conducted stakeholder consultations, analyzed the programs' past results, and looked at the municipal sector's broader market context. It uncovered several new opportunities to help the municipal sector embrace more sustainable practices. It also found ways to improve its approach in core focus areas. These include enabling innovation, replicating knowledge and sustainable solutions, and providing the sector with innovative financing options. The team's efforts led to an updated logic model and GMF's new Five-Year Strategic Plan 2018–2023.

Purpose of this document

The *Annual Statement of Plans and Objectives 2018–2019* (ASPO) sets out FCM's annual priorities and targets for GMF's administration. It is also a planning and monitoring tool for the GMF Council and FCM's Board of Directors, and includes a review of GMF's current context and core functions. Its content aligns with the new GMF *Five-Year Plan 2018–2023*. The ASPO also highlights the expected outcomes and outputs for 2018–2019 in the eleven work packages (i.e. key result areas) outlined in GMF's new logic model (see Figure 1).

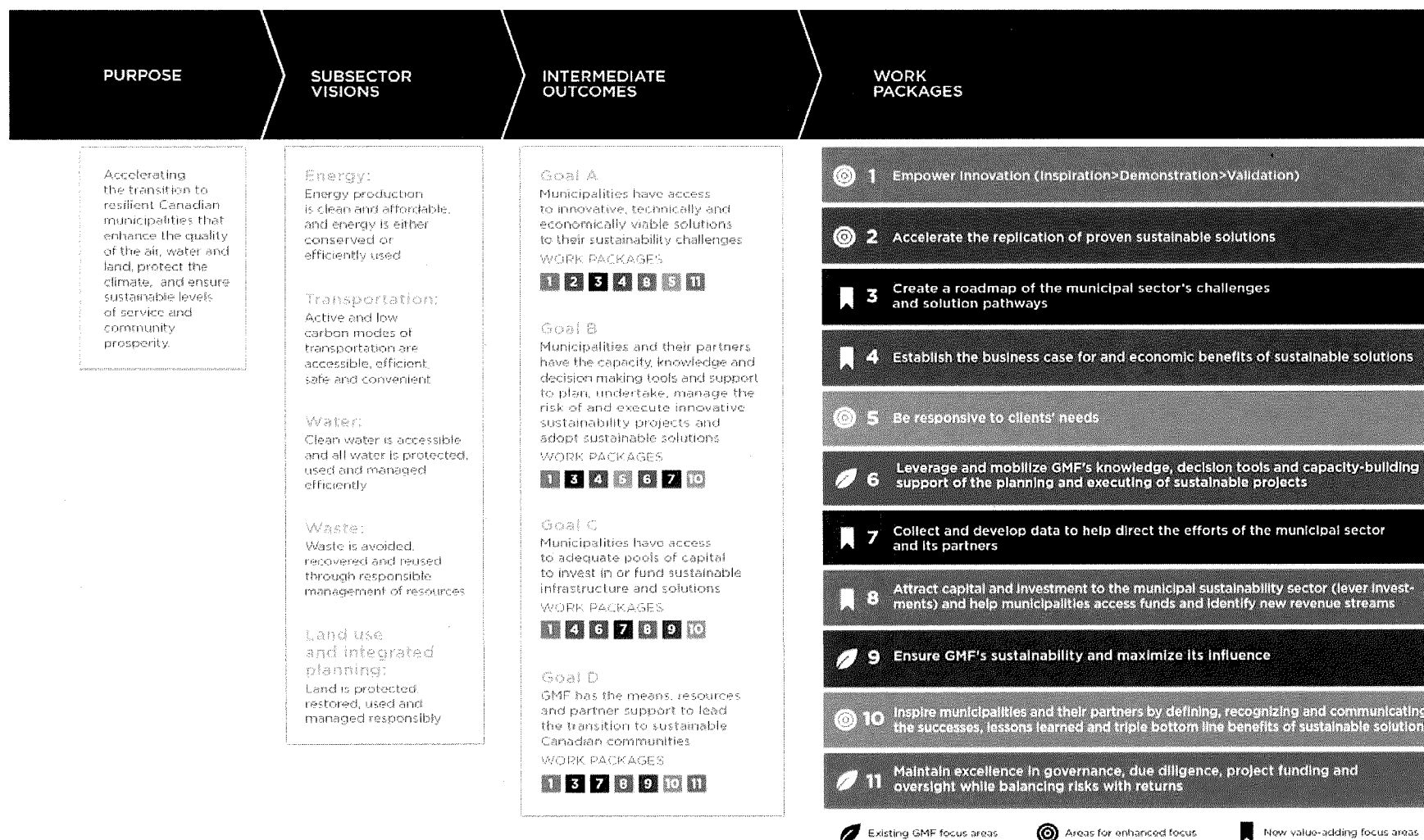


Figure 1 – GMF logic model

The appendices contain the risk profile and target risk allocations, compliance indicators, budget, and the full program logic model (Figure A-1).

Core functions

To realize its purpose, subsector visions and overarching intermediate goals, GMF is organized according to the following core functions.

Funding Services

Funding Services supports municipal governments and their partners in implementing municipal environmental projects by providing financial assistance. Grants are available for plans, studies and pilot projects, while grants and low-interest loans are available for capital projects. The majority of GMF funding is for capital project loans.

Using a client-centered approach, FCM actively solicits applications and facilitates the application process for municipalities that wish to apply for GMF funding. Knowledge sharing, before applications are received, plays an important part in supporting municipalities to improve their projects by disseminating lessons learned from the over 1,000 projects, plans, studies and pilots GMF has already funded.

Staff also offers support navigating the application process and requirements, thereby helping municipalities and partners present a strong application. Eligible applications are assessed by the GMF Peer Review Committee. The GMF Council considers peer-reviewed applications and recommends funding decisions to the FCM Board of Directors for its approval. Once an application has been approved, FCM prepares, negotiates and signs grant and loan agreements with the successful applicants. After the contract has been signed, FCM disburses funds based on eligible project costs incurred and project reports.

Knowledge Services

Engaging clients through knowledge sharing and capacity building supports the replication or adoption of leading-edge sustainability initiatives — including GMF-funded projects that have resulted in strong environmental, social and economic benefits in communities across Canada. The knowledge services provided by GMF help municipal governments and their partners develop their capacity to achieve their sustainability goals. Integrated knowledge and funding services help municipalities to overcome barriers to undertaking sustainability initiatives, to share lessons learned from GMF-funded projects and encourage replication, and ultimately to support the inclusion of sustainability objectives in municipal decision-making on infrastructure.

Research and Development

FCM relies on research and analysis to understand the evolving needs of municipal governments and their partners. Key activities engage the municipal sector in dialogue about where it is headed in terms of sustainability and serve to extract value and lessons learned from GMF-funded initiatives. They also establish GMF as a catalyst, collaborator and conduit for municipal environmental initiatives, allowing FCM to design and regularly assess relevant funding, knowledge products and services to provide maximum value. A particular benefit that this research and analysis brings is in informing the sector of where the next needs for innovation lie in order to achieve municipal sustainability objectives. A further key element of this work is the verification of, and reporting on, environmental, social and economic impacts of GMF-funded initiatives.

This work enriches FCM's insights related to sustainability experiences at the ground level. It also enhances FCM's ability to articulate the story of the benefits municipal sustainability brings to Canada as a whole.

Marketing and Communications

Tailored outreach and effective communications are critical to successfully delivering the unique GMF program model. Through participation in key sustainability events, personalized client support, relevant and timely promotion campaigns and communications tools and activities, GMF funding and knowledge offerings are promoted and shared with all target audiences, including a wide range of sustainability stakeholders.

GMF management and administration

Governance

The GMF governance function ensures compliance with the Funding Agreement (FA) and sound stewardship of the Fund. The GMF Council advises the FCM Board on, and oversees all GMF-related matters arising out of, the agreement. The Council provides advice, input, feedback and recommendations to the Board on all GMF-related matters, including funding recommendations for eligible proposals. The Council makes recommendations only; final decision-making authority rests with the FCM Board.

Performance measurement

In addition to capturing the triple bottom line results of funded initiatives, FCM also tracks the outcomes and impacts of its capacity-building activities. Well-established internal systems, tools and processes facilitate the analysis of benefits achieved through both funding and knowledge. This information enables FCM to assess and report annual outcomes and the impact of the Fund while also influencing the design and delivery of future GMF programming.

Capital and risk management

In accordance with the different risk policies and strategies recommended by GMF Council and approved by the FCM Board, FCM oversees the credit risk structure of the loan portfolio to balance risk and to preserve the long-term sustainability of the Fund. An external service provider manages investment of the non-disbursed funds under the guidance of the investment policy and strategy of the Investment Committee as set out in the GMF Funding Agreement.

Corporate resources

A number of other services and resources support core functions. These services and resources include finance, legal, administration, human resources, business and information systems, planning, monitoring and reporting.

Context

The new Funding Agreement

When the federal government committed \$125 million in additional funding to GMF in 2016, FCM had an opportunity to make several important changes to its Funding Agreement (FA). It had previously reviewed the constraining and challenging requirements in its FA, so it could address them during any upcoming negotiations.

The renegotiation gave FCM the opportunity, for example, to address recommendations from the Auditor General's 2016 report that GMF address its financial sustainability. GMF also wanted to improve its program delivery and effectiveness by lightening its internal processes. More importantly, it wanted to provide municipalities and their partners with a better application-to-disbursement process. The new FA achieves all of these objectives.

The new FA also includes a new investment framework for non-disbursed funds. FCM and the GMF Investment Committee therefore developed an investment policy and strategy in 2017–2018 to further support GMF's sustainability.

The negotiations allowed FCM to expand its strong relationships with three federal departments: Environment and Climate Change Canada (ECCC), Natural Resources Canada (NRCan) and Infrastructure Canada (INFC).

The FA negotiations concluded in December 2017, and the new funds will be transferred to FCM at the start of the 2018-2019 fiscal year.

Program opportunities

While GMF renegotiated its FA, FCM launched two complementary programs: the Municipal Asset Management Program (MAMP) and the Municipalities for Climate Innovation Program (MCIP). They resulted from FCM's advocacy and GMF's programming efforts between 2013 and 2017.

Projects that were once eligible for GMF funding are now eligible for funding from these two new programs. This will free some GMF resources in the coming years. These resources will help GMF address the next wave of the municipal sector's needs, and expand on its triple bottom line results. It also lets GMF address the leveraging measures and objectives the Auditor General noted as requiring attention in its 2016 audit.

Year in review

Funding envelopes

GMF experienced considerable demand for its funding in 2017–2018. This came from municipalities looking to advance solutions at any point from the idea phase, through planning, feasibility assessments, piloting and validation, full-scale demonstration and broad adoption.

GMF increased its grant funding envelope for plans, studies and pilots (PSPs) by \$1.3 million beyond the \$6 million it allocated at the beginning of the year. It also increased capital project funding for the

energy, transportation, water and waste (ETWW) sectors by \$15 million in loans and almost \$2 million in grants. That was in addition to \$30 million in loans and \$5 million in grants allocated at the beginning of the year. These increases were made in response to the high demand for PSP funding in 2017–2018 and an extraordinary demand for capital projects funding for ETWW. Neither increase will have a detrimental effect on GMF's long-term financial sustainability.

Brownfields

Once again, the brownfield portfolio performed well below the requirement specified in the 2005 FA, even though GMF implemented a brownfield strategy several years ago. No loans were approved in 2017–2018 despite the \$20 million set aside for such projects. When the FA was renegotiated, all parties agreed to remove the brownfield requirement.

Public funding announcements

In 2017–2018, FCM and the Government of Canada announced more than \$158 million in funding to showcase local leadership in innovative and scalable solutions and approaches. The announcements highlighted how effective partnerships benefit Canada's environment and its citizens' quality of life, and how scaling up local expertise is central to meeting Canada's climate goals.

Peer learning and knowledge products

GMF staff supported peer learning in two programs: the Leadership in Asset Management Program (LAMP) and the Leadership in Brownfield Renewal (LiBRE) program.

LAMP completed its peer learning component when its francophone cohort held a final face-to-face meeting in December 2017. A total of 17 municipalities from across Canada made progress in 2017 in integrating social, environmental and economic considerations into their asset management systems. They did so through new and refreshed asset management policies, strategies and governance. GMF will share their lessons learned in a new guidebook, which should be complete in March and released in 2018–2019.

The LiBRE program's final guidebooks were developed in 2017 and focus on building partnerships, running effective tendering processes and tracking/reporting the impacts of municipal brownfield programs. These resources complete the suite of LiBRE knowledge products. The program also created a help line, which LiBRE members can use it to seek advice from their peers about any brownfield challenges they face.

Wastewater outreach

GMF's wastewater replication programming included webinars and a three-part series on wastewater treatment plant upgrades. Water Canada also produced an article, based on GMF's annual report, that highlighted the GMF wastewater case studies released in 2016–2017.

FCM hosted sessions at the Canadian Water and Wastewater Association's National Water and Wastewater Conference in November 2017. There, it had an opportunity to consult with municipal practitioners in the water sector. In one session, GMF highlighted its projects in the wastewater sector and reviewed key success factors that can lead to innovation in that sector.

Sustainable Communities Conference

In February 2018, FCM hosted a thought-provoking and engaging sustainable communities conference in Ottawa for more than 300 delegates. Its themes were municipal innovation; climate change and resilience; and social sustainability, equity and inclusion.

The conference's Sustainable Communities Awards celebrated leaders and trailblazers from municipalities across Canada, and the winners presented TED-style talks on their innovations. There were two new categories in this year's awards: climate change and asset management, both of which reflect FCM's focus on environmental programming. The Inspire Award was also new this year. It was presented to the overall winner of the Sustainable Communities Awards, as voted for by the conference delegates.

Research

GMF's research and stakeholder consultations help clarify the ever-changing needs of municipal governments and their partners, as well as the impact GMF has on the sector. The highlights of GMF's key research work in 2017–2018 are as follows:

1. GMF found that, of more than 200 GMF energy sector pilots and studies, 58 per cent converted to capital projects. It included results from three subsectors in this study: buildings, energy recovery and renewable energy. The conversion rate for buildings-related pilots and studies was the highest of all the subsectors, at 80 per cent.
2. GMF reviewed its methodology for measuring emission factors. It did this to be sure it follows best practices and is aligned with recognized greenhouse gas reporting standards.
3. GMF staff continues to survey and interview funding recipients about the long-term benefits of their capital projects and their ability to sustain the projects' environmental benefits. This work focuses on GMF's largest sector, energy.
4. GMF conducted two consultations on carbon-neutral buildings: one at the QUEST 2017 Annual Conference and Trade Show in November 2017, and the other at FCM's Sustainable Communities Conference in February 2018. GMF used the opportunities to explain to attendees FCM's funding offer for buildings. It also explored trends in building standards as well as the barriers to planning and implementing building standards (e.g. carbon-neutral, zero carbon, net zero).

Conclusion

Many municipal practitioners are aware of GMF's work, due in part to improved project knowledge mobilization at the application stage. They are also aware of its triple bottom line project results analyses (i.e. environmental, economic and social benefits). This information was distributed through events and publications, including GMF's annual report, as well as through an improved version of GMF's Approved Projects Database.

GMF will continue to deliver on its core mandate and position itself to achieve the highest possible results in the municipal sector. It will focus its efforts on the work packages outlined below.

Expected outcomes and deliverables 2018–2019

The outcomes and deliverables for the coming year are divided into 11 work packages, or key result areas (KRAs).

Key Result Area 1: Empower innovation (inspiration > demonstration > validation)

GMF has focused on innovation since its inception, but municipalities and their partners still face significant challenges when they try to advance innovative sustainability solutions.

If municipalities across Canada are to meet international commitments and domestic objectives, they must significantly reduce emissions, increase the number of climate resilience projects, achieve aggressive water discharge limits and water conservation targets, and hit ambitious waste diversion targets in the coming two decades.

Although some solutions to these issues exist today, not enough of them are complete solutions that will allow the long-term objectives to be reached across the sector. In the coming years, GMF will therefore focus on addressing the risks that municipalities and private-sector partners face when they try to adopt new and innovative solutions.

Financial risks

Municipalities and their partners need funding support to address their financial risks. Figure 2 maps out the funding available to the municipal sector and the sources of that funding at each step, from implementation to broad adoption. Still, the sector needs far more funding than it can access.

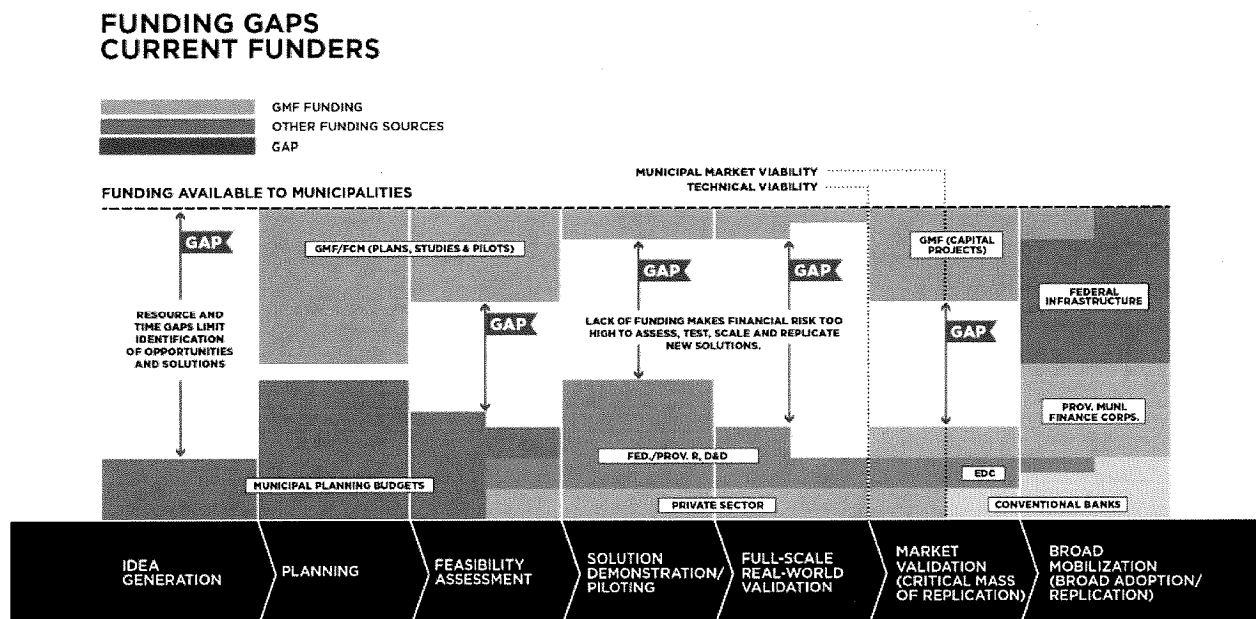


Figure 2 – Funding map: Innovative municipal environmental solutions

As shown in Figure 2, the amount GMF contributes to piloting and validating new solutions thins out relative to the sector's funding needs. In the validation phase in particular, the financial risks increase. It is also the most challenging moment in mobilizing new solutions as it requires the largest investment but still has significant technical performance risk. That's especially true in the case of high-risk, first-of-kind, transformative, full-scale demonstration projects.

In other sectors, this financial risk is shared between venture capital, banks, pension funds, industry and federal and provincial research, development and commercialization funding instruments. Unfortunately, this is no effective offer in the market today that buys down the financial risks municipalities face in the late stages of piloting, demonstrating and adopting new technologies, and industry and private investors are not participating to anywhere near the same levels as in other sectors of the economy.

Decision-making and political risks

Municipalities also face decision-making and political risks when they implement sustainability solutions. Small and medium-sized communities often lack the in-house expertise they need to address those risks. They do not usually have the technical and business case expertise to assess and manage the decision, approval, and execution risks inherent to new approaches.

GMF will therefore create tools in the coming years to address these risks and gaps through its five-year outcomes for this work package.

Expected five-year outcomes:

- a) Provide municipalities with a complete set of funding solutions, in conjunction with GMF's partners. This reduces the financial risks municipalities face when they attempt to advance new, transformational, and innovative sustainability solutions. Municipalities can access adequate funding resources at every stage, from a solution's creation through its technical and market validation (these stages are outlined in Figure 2 above).
- b) Provide the municipal sector with access to technical and financial due diligence expertise and a support network in each of GMF's focus subsectors (i.e. energy, transportation, water, waste, and land use and planning). This reduces the decision-making risks that municipal staff and elected officials face when they advance innovative environmental solutions in these areas.
- c) Provide the municipal sector with access to an extensive network of incubators and piloting partners. This gives municipalities a safe, pilot-oriented environment in which to test, demonstrate, refine and gain experience with new solutions in GMF's focus subsectors.
- d) Give the municipal sector access to a complete set of capacity-building and support tools, knowledge products and platforms, risk-sharing partnership models, peer networks and sector champions. These support better policy development, decision-making, governance, case building and project management. They also improve testing, validation and adoption/procurement processes related to new sustainability solutions. Finally, they increase the likelihood that innovative sustainability projects will succeed.
- e) Regularly review environmental performance targets in GMF's focus subsectors. The targets should foster continual innovation and contribute to achieving the vision statement for each focus subsector.
- f) Ensure that municipalities implement more transformative and innovative environmental solutions, faster. Measure this as the number of new, GMF-supported, technically and economically viable sustainability solutions that achieve technical and market validation.

Anticipated outcomes 2018–2019
<ul style="list-style-type: none">1. Understanding of ideal transformative innovation funding structure(s) to address level of financial risk encountered by municipalities.2. Enhanced awareness of globally used funding models and capacity-building programs for advancing innovation in municipal sustainability.3. Identification of promising municipal sector transformation opportunities.4. Enhanced awareness of available incubators and technical and economic due diligence support expertise that can support the municipal sector.5. Understanding of current capacity-building and knowledge needs to enable and de-risk decision-making and mitigate political risk (with particular focus on the energy subsector).6. GMF is better positioned to build capacity and extend the reach of programming, through strengthened connections via peer networks; skills development informed by innovations in sector trends; development of an online learning curriculum to mobilize new knowledge and innovative practices; and a stronger focus on overall transformative change in the sector through learner-centered activity design.

Planned deliverables 2018–2019
<ul style="list-style-type: none">• Stakeholder engagement on financial barriers to piloting and undertaking first-of-kind deployments of new transformative sustainability solutions.• Scan of global models for piloting, demonstration and procurement of transformative innovations in the municipal sector.• Definition of tailored offer and preparation for launch of two-year transformative innovation program.• Assessment of scalable/replicable transformative innovation opportunities in at least one subsector (energy).• Mapping of incubators and due diligence partners that can support innovation in the municipal sector.• Summary of key non-technical barriers faced by municipalities when advancing innovative solutions (with particular focus on the energy subsector).• Completed gap analysis tracking key trends and innovations in the CB/KS landscape, which will inform an innovative approach to GMF programming over the next 3 to 5 years.• Pilot new approaches to both broad-reach and peer-network learning, such as hackathons, help-line-style webinars and an online learning platform.

Key Result Area 2: Accelerate the replication of proven sustainable solutions

There are suitable funding offers available through GMF for the replication and early broad adoption of sustainability solutions (see Figure 2). These funding offers pair well with other funding opportunities in the sector.

GMF's approach to funding this space has helped increase the level of environmental performance built into the sector's assets and practices. Without GMF's support, these levels would probably not have been achieved.

Still, replication and the transition from new solutions to early adoption is not happening quickly enough to address the sector's sustainability needs within the required timelines.

GMF's history has shown that a single demonstration of a solution in one market context is not enough to lead to its broad uptake. Analyses suggest that three to five successful deployments of a new solution in a variety of market contexts are usually required before the broader market takes it up.

Although GMF is active in the initial replication of solutions, it does not provide targeted funding to replicate the most promising solutions it funds. The lessons learned from the first few deployments of new solutions are extremely valuable. They can validate the solution's performance and confirm its business case. Both of these are key to adoption by other municipalities. The lessons from initial replications can reduce the cost and risks for other municipalities (and their partners) if those lessons are properly tracked and communicated.

GMF believes that proactively building in and incenting multi-community partnering and replication pathways from the beginning of projects will help increase new solutions' adoption rates. It can also promote their adoption through targeted funding. Finally, if it understands where the greatest replication and project aggregation opportunities are in Canada, GMF can help mobilize capital from other sources to fund the broad uptake of solutions. This would help GMF improve its results and leverage its influence.

The five-year outcomes for this work package support a complete set of tools that will enhance the replication rate and mobilization of promising new solutions emerging from GMF.

Expected five-year outcomes:

- a) Offer funding solutions that encourage and enable the municipal sector to replicate proven, sustainable environmental solutions. This includes funding offers for multiple deployments in a single project. Municipalities can access enough funding resources through GMF and its partners to meet their market validation needs.
- b) Provide funding and knowledge products that encourage the early replication of promising,

high-impact solutions. Select and fund projects with built-in replication potential and pathways. Support these solutions from their early development phase through to their broad adoption. This might include, for example, multi-community de-risking aspects and evaluating the potential for strong business cases.

- c) Establish a set of criteria to assess when opportunities, particularly those driven by common sector needs and market size, could be aggregated. Create a system to track and pool related projects that could benefit from funding from GMF's partners (e.g. Green Infrastructure funding, Infrastructure Bank, provincial carbon credit pools) for broad adoption.
- d) Achieve a net increase in the rate at which municipalities replicate proven, GMF-supported solutions. Measure and monitor this rate.

Anticipated outcomes 2018–2019
<ol style="list-style-type: none"> 1. Preliminary opportunities for a new funding offer, including revised evaluation criteria and simplified application processes, are identified to accelerate projects built on previously demonstrated technologies or practices or that enable pooled purchasing by municipalities (with an initial focus on the energy subsector). 2. Better understand municipal and partner roles and effective multi-community partnerships in successful replication. 3. Mobilize new and existing knowledge resources to support better replication opportunities. 4. Map municipal processes for developing and delivering innovative sustainability projects, including replication of proven sustainability solutions to inform the development of the expanded online database.
Planned deliverables 2018–2019
<ul style="list-style-type: none"> • Develop recommendations on how evaluation criteria and offer design can be changed/refined to better promote replication. • Produce and mobilize case studies of successful replication and multi-community partnerships in the energy/wastewater subsectors. • Consultations with peer reviewers and potential municipal clients to refine the offer. • A preliminary listing of replication opportunities within the energy subsector has been established, through subsector road-mapping efforts. • Analysis of options for simplifying the application process and forms for replicable projects emerging from GMF programming. • Client need profiles for diverse municipal decision-makers in the energy subsector.

Key Result Area 3: Create a roadmap of the municipal sector's challenges and solution pathways

Figure 2 includes a perceived funding and resource gap around viable idea generation, particularly for small to medium-sized communities. GMF will therefore develop roadmaps to show municipalities how to achieve their overall sustainability objectives in each GMF focus subsector (i.e. energy, transportation, water, waste and land use and planning).

The roadmaps will provide guidance on how to achieve these objectives in a way that optimizes economic, environmental and social considerations. They will take into account the differences in community size and location. They will also address a concern voiced by many municipalities that there is a lack or complete absence of resources on how to find the best solutions and achieve long-term sustainability goals.

GMF will work with a diverse group of stakeholders and its partners to develop and disseminate these roadmaps. The roadmaps will focus on effective solutions that are highly replicable across communities and move the sector toward more sustainable practices. The five-year outcomes related to this work package will focus on processes and tools that address this need.

Expected five-year outcomes:

- a) Establish a municipal sector roadmap model and process for overcoming municipal sector sustainability challenges. Do so with an eye to maximum reach, utility and relevance for municipal staff, elected officials, policy makers, government instruments, NGOs and private-sector solution providers.
- b) Develop strategic roadmaps for each GMF focus subsector as well as a process for regularly renewing them.
- c) Release targeted funding calls for solutions that can have the greatest impact, based on criteria in each focus subsector's roadmap.
- d) Develop capacity and knowledge products that address opportunities in the focus subsector roadmaps, as well as the non-technical aspects of solutions that can have the greatest impact (e.g. regulatory changes, data, decision-making tools).
- e) Create, validate, fund and support solutions that can have the greatest impact. Do this through capacity building and mobilization, and track and report on this mobilization.

Anticipated outcomes 2018–2019
<ol style="list-style-type: none"> 1. Deeper understanding of needs and opportunities within the energy subsector that guides development of the funding offer, knowledge products, partnerships, expanded online database, etc. 2. GMF is better positioned for development of roadmaps in other GMF focus subsectors. 3. Energy subsector roadmap pilot is on track to be finished and disseminated in 2019–2020.
Planned deliverables 2018–2019
<ul style="list-style-type: none"> • Design and pilot a roadmapping process for the energy subsector that can be used for other GMF focus subsectors. • Create an energy subsector vision via engagement with stakeholders. • Identify and prioritize technical and non-technical needs and solutions for achieving the vision. • Learnings from the energy subsector roadmap are used to guide development of new pilot funding offer, knowledge products, partnerships, updated online database, etc. • Complete an interim evaluation to assess the value of the road mapping approach and knowledge gained through this pilot prior to undertaking future roadmaps.

Key Result Area 4: Establish the business case for and economic benefits of sustainable solutions

Analysis indicates that municipal staff and elected officials face significant challenges in understanding and validating the business case for potential sustainability solutions. This was one of the most commonly encountered barriers when they sought approval for new projects.

They also lack accessible, clear and complete data on the economic performance of sustainability solutions. Without the data, expertise or decision tools, it is difficult for them to make sound investments and stretch their municipal budgets as far as possible.

This work package aims to deliver appropriate analysis and knowledge tools to support municipalities in their decision-making and due diligence around sustainable solutions. The five-year outcomes for this work package will help GMF understand the criteria municipalities use when making these decisions, and create tools to help them make assessments and decisions.

Expected five-year outcomes:

- a) Understand the business case and economic viability criteria that key municipal decision-makers use when they approve and prioritize new sustainability projects and initiatives.
- b) Develop a set of decision tools (e.g. budgets and economic models) that help municipalities make sound financial decisions while promoting the most compelling GMF-supported solutions.
- c) Identify and articulate the direct economic benefits of GMF-supported solutions in a way that is thorough and defensible.
- d) Understand and assess the business case and economic resilience of projects at the application stage and once they are GMF-supported. Support the municipal sector in making these assessments.

Anticipated outcomes 2018–2019
<ol style="list-style-type: none"> 1. Establish a preliminary understanding of key business case and economic decision tools used by municipal decision-makers. 2. Establish the business case and economic benefits of a sample set of energy-related projects. 3. Establish a pilot plan for sharing the business case with municipalities via outreach, learning activities (e.g. workshops) and/or resources (e.g. case studies). 4. Improve GMF understanding of the capacity building, decision-making tools and research needed to support municipal practitioners in developing the business case.
Planned deliverables 2018–2019
<ul style="list-style-type: none"> • Engage with stakeholders and develop a list of key economic criteria/metrics used by municipal officials when advancing new initiatives. • Assess the transferability of economic decision tools used by other sectors and assess transferability to the municipal sector. • Identify 3–5 of the most compelling economic opportunities in the energy subsector. • Establish the business case (e.g. payback) of the 3–5 projects and assess their value across different regions and communities. • Identify pilot learning activities and/or resources to support the business case will be identified.

Key Result Area 5: Be responsive to clients' needs

Throughout the strategic analysis, municipal stakeholders — particularly those in small to medium-sized communities — expressed their need to access the following:

- a. Timely and complete information about a project's financial and technical viability.
- b. Advice on how to prioritize their array of outdated and inefficient assets.
- c. Advice on how their communities can address sustainability challenges in a way that is viable and affordable.
- d. Funding processes that require little effort upfront and still provide a timely assessment of whether the project can be funded, as well as meaningful information to optimize the project's success.
- e. Help in establishing peer learning opportunities with communities that have dealt with similar challenges.

Small to medium-sized communities do not have the time, expertise or funding resources to take on the challenges they face in transitioning to more sustainable practices. In some cases, they do not even meet the current compliance requirements. Quick and reliable access to trusted and affordable expertise is a major need in these communities.

Given that similar communities face similar issues, GMF believes it could achieve significant economies of scale by establishing a central advisory service system.

Making it faster and easier to identify, fund and deploy solutions in these communities would speed the pace of sector transformation. The five-year outcomes for this work package optimize the benefits of GMF's funding offers and the related processes, and help it respond to its clients' needs.

Expected five-year outcomes:

- a) Ensure that the effort required to seek GMF funding is commensurate with the level of funding applicants seek, as well as the level of risk associated with their proposed solution. Take into consideration the support that small communities with limited capacity require.
- b) Understand municipalities' capacity and needs based on several factors, including the composition and number of their staff, their population, and geographic location.
- c) Have GMF staff members and a network of vetted partners who can help address the municipal sector's planning and execution support needs.
- d) Ensure that grant amounts for capital projects are commensurate with the project's level of risk and transformational potential, and that there is more grant money for higher-risk and more transformational projects. For most capital projects with low-end technical and financial risks,

GMF offers more value through its in-kind capacity and knowledge support contributions than through the grant support expectation (e.g. 15 per cent).

- e) Understand the non-economic decision-making criteria that key municipal decision-makers use when they approve and prioritize new sustainability projects and initiatives.
- f) Give clients access to advisory services that have the support, knowledge and tools they need to improve their sustainability projects.

Anticipated outcomes 2018–2019
<ol style="list-style-type: none"> 1. A less burdensome application, contracting, disbursement and reporting process for applicants to the plans and studies funding lines that optimizes client value. 2. An accelerated approval and disbursement process for plans and studies following delegation of some funding decisions to staff and other improvements. 3. Preliminary identification of opportunities for future simplification of pilots and capital projects application, contracting and disbursement processing and accelerated timing of receiving funds from GMF. 4. Existing GMF knowledge and capacity-building resources are accessed more frequently and tailored to user needs and their capacities. 5. Clients have adequate access to advisors and project officers to learn about lessons learned from past GMF projects, best practices, tools, training and funding products that will inform and improve their sustainability initiatives.
Planned deliverables 2018–2019
<ul style="list-style-type: none"> • Consult with clients on pain points in application, contracting, disbursement and reporting phases and with other funding agencies to identify opportunities to improve client experience for capital projects and plans, studies and pilots. • Assess internal inefficiencies within internal processes and resource constraints that, if addressed, could increase available staff time to support clients. • Implement promising opportunities for improving plans and studies processes and tools to optimize client value. • Establish and implement staff approval thresholds and processes with Council for plans studies and pilots. • Develop new briefing documentation tools and approval reporting templates for Council for plans and studies. • Develop an understanding of the most valuable skills and knowledge for the sector and prepare recommendations to better mobilize relevant existing GMF knowledge products and capacity support.

Key Result Area 6: Leverage and mobilize GMF's knowledge, decision tools and capacity-building support for planning and executing sustainable projects

This five-year strategic plan outlines a holistic approach to capacity building that enables GMF to address gaps and create the following:

1. Long-term, systemic changes so municipalities are more prepared to implement sustainability solutions
2. Short- and medium-term improvements in project planning and delivery that will hone practitioners' skills and improve their knowledge

This should result in more frequent and successful projects, which will encourage other investors to enter the sector.

Critical knowledge and skills gaps

GMF has identified the critical aspects required to deliver high-quality results at all stages of a program's implementation (see Figure 3). These represent recurrent challenges for municipalities.

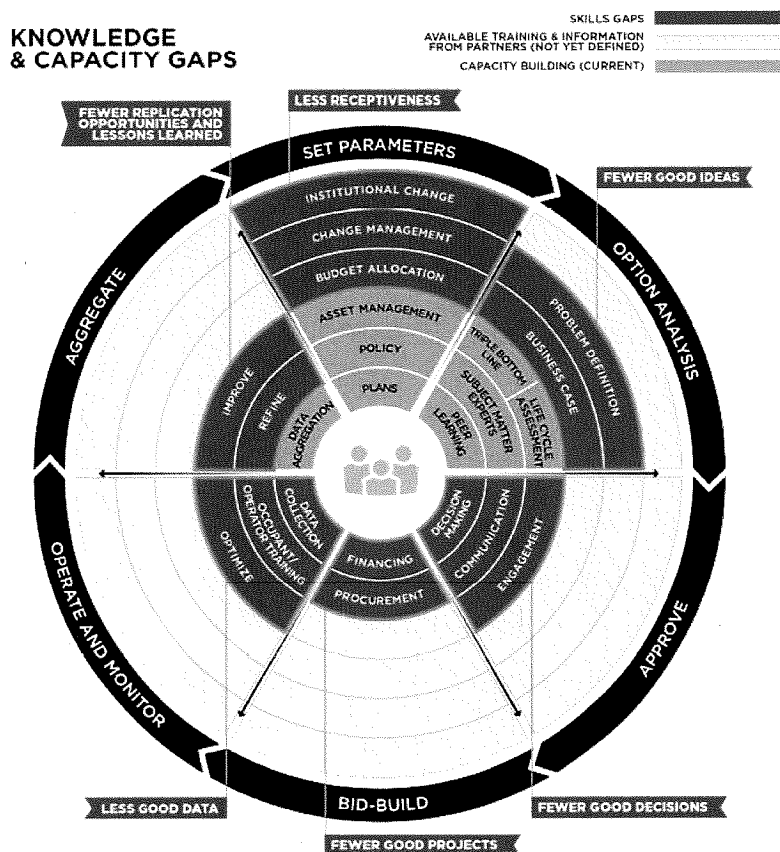


Figure 3 – Knowledge capacity gaps

If these areas are not adequately addressed during a project, they damage its quality as it moves through each step. They also reduce the solution's replication potential, degrade tests of its market viability, and reduce the predictability of its timeline, budget costs and performance. That degrades decision-makers' confidence in the solution and results in lost opportunities and less uptake of the solution across the sector.

Knowledge tools

Through the development and sharing of its road mapping results, GMF will aim to become the point of first resort and a recognized thought leader for municipalities as they implement innovative and proven sustainability solutions. It's essential that these new resources and the extensive knowledge resources available in the GMF portfolio of projects and historical capacity-building programming be effectively mobilized and as accessible as possible. GMF will continue to share this new information through its proven toolbox (which include research papers and guidebooks, workshops, webinars, training, peer learning, recognition, and milestone frameworks) and will continue to innovate in its capacity building and knowledge sharing as part of its five-year strategic plan.

The five-year outcomes for this work package mobilize knowledge and capacity building in a way that responds to the sector's need for project exploration and execution.

Expected five-year outcomes:

- a) Work with a network of partners in Canada and around the world to lever each other's:
 - data sets
 - knowledge and knowledge products
 - decision tools
 - lessons learned
 - capacity-building support and training
 - peer and expert networks
- b) Establish a modern, accessible, navigable, versatile and easily updated online platform. Use that platform to promote GMF's assets as well as those available through its partner network (see point "a" above).
- c) Host a series of innovative, targeted and influential events in conjunction with other FCM programs and partners. Focus on capacity building and knowledge mobilization around solutions that can have the most impact in GMF's focus subsectors. The events also support other GMF work package objectives.
- d) Collaborate with other FCM and sector partners to develop peer learning groups. Focus on solutions that can have the most impact on GMF's focus subsectors.
- e) Measurably increase the ability of municipal staff and elected officials to select, plan, approve and deliver locally appropriate, high-impact solutions in GMF's focus subsectors.

Anticipated outcomes 2018–2019

1. Key skills that support the successful planning, design and delivery of sustainability initiatives are determined and gaps in existing skills training opportunities are identified.
2. Relationships established with organizations, networks and various levels of government to leverage knowledge and develop complementary products and services that respond to member needs (training workshops, tools, etc.).
3. Enhanced understanding of the current trends and best practices in modern knowledge mobilization and capacity building.
4. High-value GMF knowledge and best practices are identified, leveraged, and mobilized through existing knowledge resources such as peer networks and new approaches to knowledge sharing such as micro-learning.
5. Learning activities such as webinars, workshops and training sessions have been designed to share knowledge, including a municipal brownfields network and peer learning activities.
6. Understanding of client needs across a broad range of demographics is complete and informs the structure and content of the new online knowledge mobilization platform prototype in the energy subsector.
7. A preliminary design concept and short list of digital tools have been identified for the online knowledge mobilization platform prototype.
8. A clear re-framing and shared understanding of the purpose, goals and potential future approaches to the Sustainable Communities Conference or series of SCC-like events.

Planned deliverables 2018–2019

- Conduct various stakeholder engagements to better understand the process and key skills for advancing sustainability projects in the municipal sector and review and analyze GMF project performance, lessons learned and execution skills gaps to determine the most important capacity-building needs for the sector.
- Engage with partners regarding emerging high-consequence capacity-building needs to assess collaboration points and potential to leverage resources and expertise for broader mobilization and impact of GMF resources.
- Conduct a scan of current best practices and trends in capacity building and knowledge mobilization to identify the most promising approaches for future development.
- Outreach advisors and project officers are trained to systematically promote replication of good practice and uptake of lessons learned from past funded GMF projects.
- Develop concepts for learning programming for at least one new high-consequence issue.
- Transition plan developed for LiBRe cohorts beyond 2018–2019.
- Client need profiles for diverse municipal decision-makers in the energy subsector.
- Determine desired functionality, and a methodology to update and draft the structure of the online knowledge mobilization platform.
- Analyze options for the digital technology platform and preliminary budgeting for an enhanced online database pilot in the energy subsector.
- Assess the current municipal sustainability conference landscape, historical SCC results, trends in capacity-building approaches and preliminary articulation of best options to mobilize knowledge and deliver the capacity-building mandate going forward.

Key Result Area 7: Collect and develop data to help direct the efforts of the municipal sector and its partners

FCM will collect data and make it available so that municipalities, GMF and its partners have the information they need to identify sustainability areas that are easily addressed and have significant environmental and economic impact. This addresses concerns raised by municipal staff, NGOs, private-sector stakeholders and other groups about a lack of data. They want to know the biggest sources of emissions, pollution and waste in municipalities across Canada as well as the best market opportunities for solutions.

This data will be detailed and comprehensive enough to help them understand the scale of issues and opportunities. It will be sortable by community size or as aggregate data (e.g. by communities, provinces and territories, or country). It will support data-driven decision-making by GMF, FCM and external stakeholders so they can help municipalities become sustainable more quickly. The five-year outcomes for this work package advance the collection, development and mobilization of data for the Canadian municipal sector.

Expected five-year outcomes:

- a) Fill a data gap by developing and maintaining granular information and data sets that quantify emission rates and the broader environmental and economic impacts of municipal assets and processes across all GMF focus subsectors. Include local, regional, and national-level data.
- b) Gather and distribute useful open-source data that can easily be accessed by the municipal sector and its partners.
- c) Develop strategic insights that can inform GMF projects as well as other FCM programs, policy and advocacy. Base these insights on comprehensive, high-quality research and data.
- d) Create or gather data sets about non-municipal assets and processes at the community level to identify the following:
 - The highest environmental and economic impact opportunities
 - Impacts on service levels and service delivery
 - Sustainability challenges that are the most easily influenced

Anticipated outcomes 2018–2019
<ol style="list-style-type: none">1. Enhanced collection and aggregation of energy subsector data such as direct energy use, greenhouse gas emissions and economic implications for municipal-owned assets, community assets and quantification of municipal-owned energy generation assets.2. Preliminary understanding of what types of data would be useful within the energy subsector; data availability (e.g. federal, provincial and municipal open data); an assessment of level of difficulty for acquiring data that is not currently being collected

<p>or shared, and best method for ensuring that municipalities and their partners have broad access to relevant data.</p> <ol style="list-style-type: none"> 3. Preliminary understanding of data required for other focus areas such as transportation and waste. 4. Greater use, collection of and analysis of sector data and GMF internal data (conversion studies, leverage analysis, long-term capital project performance, etc.) to make programming decisions, set policy and engage in advocacy such as vision-setting for the energy subsector roadmap, changes to evaluation criteria, etc.
<p>Planned deliverables 2018-2019</p> <ul style="list-style-type: none"> • Complete additional data gathering in energy subsector as needed, to support energy subsector roadmapping (e.g. information to support the development of a vision, the quantification of market size for sustainability solutions, the quantification of other environmental impacts, and the prioritization of needs/opportunities). • Initiate the building of a sector data set for the transportation subsector (e.g. types of vehicles, fleet sizes, fuel types and efficiencies, capital and operating cost spending on transportation, etc.). • Engage stakeholders and partners (municipalities, FCM staff, data aggregators, and data scientists) to develop an initial catalogue of useful data types, including information on data availability, level of difficulty in obtaining data, and ideas for mobilizing data. • Pilot methods of disseminating sector data gathered by FCM (e.g. as background material to stakeholders for setting the energy subsector vision, or as part of the online database).

Key Result Area 8: Attract capital and investments to the municipal sustainability sector (lever investments) and help municipalities access funds and identify new revenue streams

One of GMF's core objectives, as stated in its Funding Agreement, is to encourage more investment in municipal sustainability projects. GMF's own activities should catalyze further investments in the sector from other sources. This implies that GMF has a role to play in buying down the financial and market risk municipalities and their partners face. It can also help eliminate barriers to investment from other funding sources such as federal, provincial and municipal governments; private-sector companies; pension funds and other private investors; impact investors; and other non-government instruments such as endowments.

GMF can play a key role in enhancing municipalities' transaction readiness and making those types of investments more feasible. That will make the investment cycle for the public and private sector quicker, more nimble, and better aligned with the returns that funders are likely to require.

It is important to note that municipalities' needs far outstrip the funding resources available through public funds alone. That is why it is imperative that GMF enable other funding sources to move into the sector.

The *2016 Office of the Auditor General's review of the GMF program* found that although there appeared to be some investments being leveraged by GMF, GMF had not clearly defined its objectives or established a framework to measure its progress. It noted this as an area for improvement if GMF is to meet the objectives set out in its Funding Agreement.

GMF will break down barriers to investments in the municipal sector; partner with other funding sources to draw them into the municipal sustainability sector; and enhance the transaction readiness of municipalities. The five-year outcomes for this work package better position the municipal sector to receive additional investments and stretch their budgets further.

Expected five-year outcomes:

- a) Maintain an inventory that clarifies the sustainability investment needs of the municipal sector and aligns them with the qualification criteria from key funders (e.g. INFC, IBank, trusts, pension funds, major project developers).
- b) Provide the municipal sector with knowledge, capacity and funding tools that facilitate transactions with funders and investors.
- c) Establish a network of partners who can fund sustainability projects and follow-on replication. Have a clear process to engage these partners in funding and investment opportunities.
- d) Become a recognized expert in project and fund management and effectively leverage

partners' capacities in these areas.

- e) Transact with new investors to enable high-impact opportunities that address sustainability in the municipal sector (applies to GMF **and** its applicants).
- f) Proactively track, raise awareness of, and support the development and mobilization of new financing and revenue models that help municipalities accomplish more without increasing their budgets.

Anticipated outcomes 2018–2019
<ul style="list-style-type: none">1. Enhanced understanding of new investment leveraging opportunities and successful global models.2. Enhanced understanding of GMF projects and aggregation opportunities that would be suitable for new investment opportunities.3. Municipalities are assisted in finding complementary forms of financing.
Planned deliverables 2018–2019
<ul style="list-style-type: none">• Stakeholder outreach and networking in the financial sector generates intelligence on the needs and interests of various potential investor types.• A review of global models of alternative investment is completed.• Preliminary documentation of investment criteria from an initial short list of potential investment partners aligned with municipal needs.• Assessment of which GMF projects in the inventory meet these investment criteria.• Articulation of aggregation/replication criteria and initial database set up for tracking scalable opportunities.• An inventory of federal/provincial funding sources for municipal green infrastructure projects is completed and shared with clients.

Key Result Area 9: Ensure GMF's sustainability and maximize its influence

GMF operates because of its endowment. The more effectively that endowment is managed, the more influence GMF can have in moving the municipal sector toward more sustainable practices. The receipt of \$125 million from Budget 2016 addressed, in part, the financial sustainability challenges caused by persistent low interest rates and lower returns on the endowment's investments. However, the discretionary resources the endowment generates continue to be limited by the returns it can generate from investments and the yields it generates through its capital projects loan portfolio.

Given this context, the endowment must be managed in a way that maximizes its revenue generation while ensuring its ongoing security and capacity to operate. The five-year outcomes for this work package ensure the endowment's sound management in the long term while ensuring that it has the financial resources required to fulfill its mandate.

Expected five-year outcomes:

- a) Possess strong internal expertise and advisory support to manage the GMF endowment, including a deep understanding of Canadian and global best practices and innovative approaches in endowment use and management.
- b) Use an investment framework that allows GMF to contribute optimally to FCM's sustainability and corporate social responsibility objectives while also maximizing achievable returns within the parameters of GMF's Funding Agreement.
- c) Hold the endowment whole through to 2042–2043 while optimizing the availability of near-term resources to address the municipal sector's needs. Maximize the reach and impact of GMF without compromising future program funding and operational resources.
- d) Identify and quantify financial resource gaps in the municipal sector. Collaborate with existing funders and potential donors to fill these gaps.

Anticipated outcomes 2018–2019

1. Portfolio targets for 2018–2019 support Fund sustainability and Fund liquidity.
2. Financial and technical risks within the loan portfolio are managed while ensuring that appropriate financing (grants and loans) is available for projects that have the potential to contribute most to enabling sustainability in the municipal sector.
3. Establish funding limits for various project streams (grants, and capital projects streams) and clear criteria for approval.
4. A new fund manager has been on-boarded.
5. A new Fund investment strategy is implemented.
6. A loan loss reserve policy is established which is commensurate with portfolio risk.
7. Increased awareness of global best practices in endowment management and

identification of opportunities to enhance the resources and impacts of the fund.
Planned deliverables 2018–2019
<ul style="list-style-type: none"> • Update the cash flow model for GMF and build in medium-term assumptions related to operating costs and target funding envelopes for strategic initiatives. • Segregate outstanding loans by streams, and investments by portfolio type and asset classes. • Seek board approval for the new fund manager. • Finalize contractual arrangement with new fund manager. • Ensure that application approval recommendations throughout the year reflect Council priorities, including Fund sustainability. • Re-evaluate, with an assessment of the impact on Fund sustainability and availability of grants to the most strategically important projects, the practice of providing a 15 per cent grant for every loan, and reconsider maximum eligible costs (e.g. 50–80 per cent) for certain funding offers, such as pilots. • Define the process for managing brownfield applications and approvals, including ceiling amounts out of the \$54 million allocation and including potential for incorporating brownfields into the capital projects competitive process. • Increased marketing efforts to promote balance in 10- and 20-year loan terms. • Engage with other endowment managers and similar instruments to share insights and identify opportunities to enhance results achievable with GMF endowment.

Key Result Area 10: Inspire municipalities and their partners by defining, recognizing and communicating the successes, lessons learned and triple bottom line benefits of sustainable solutions

GMF has supported over 1,400 projects since its inception. During its strategic analysis, feedback often noted that despite this high number, GMF did not effectively communicate critical information from the projects. Nor did it differentiate the level of success for various projects or distill the sector's most promising solutions.

Understanding which factors contribute to optimal results and promoting the best solutions is essential to GMF's long-term success. This can be done through external stakeholder reporting and by establishing clear project selection practices.

Furthermore, the large number of projects GMF has supported over the years has generated valuable lessons learned that could be used to help future projects succeed. The strategic analysis indicated that there was room to use lessons learned to benefit the broader sector. The five-year outcomes for this work package better position GMF to communicate the key ingredients in successes as well as lessons learned.

Expected five-year outcomes:

- a) Articulate criteria that define program success (e.g. optimal results, impact potential) in each GMF focus subsector.
- b) Develop a system to identify, recognize and promote projects that meet these criteria, particularly their triple bottom line benefits.
- c) Have modern, efficient and effective sustainability recognition programs that serve the Canadian municipal sector.
- d) Have a clear process to distill, communicate and mobilize high-value lessons learned for the most common processes and types of projects in GMF's focus subsectors. Draw these lessons from failed **and** successful projects funded by GMF as well as broader sector projects.

Anticipated outcomes 2018–2019
<ul style="list-style-type: none">1. GMF has preliminary enhanced articulation of the parameters that define success in GMF projects (including environmental and economic performance; level of innovation, technical, process or financial innovation; replicability of solutions or knowledge; execution approach; and relevance to most important challenges faced by municipalities).2. New materials for articulating and sharing success stories from the GMF portfolio have been tested and refined.3. Lessons learned and best practices for sustainability initiatives have been generated and shared to benefit other municipalities and enhance GMF programming.

4. The economic impact of GMF-funded initiatives is more clearly communicated in a compelling manner.
5. GMF knowledge and best practices are identified and mobilized through useful, memorable and impactful online and in-person learning opportunities.
6. High-impact projects and award-winning municipal initiatives in the energy subsector are included in the draft architecture of the new online knowledge platform.
7. Lessons learned from the 2018 Sustainable Communities Awards and enhanced parameters to define success are built into future awards programming.

Planned deliverables 2018–2019

- GMF project and broader municipal sector project benchmarking have been assessed and scoring criteria for articulating levels of success and impact are developed across key parameters such as environmental impact, economic benefits, innovation, replication potential, etc.
- Templates for success story materials are renewed to capture the elements most relevant to key GMF/FCM stakeholders, and sample materials for a select number of projects have been created.
- Outreach advisors and project officers systematically promote replication of good practice and uptake of lessons learned from past funded GMF projects through information sharing and peer-to-peer connecting with prospects and applicants throughout the project life cycle.
- Expansion of Local Economic Development model to provide clear articulation of the economic results of funded initiatives (e.g. economic valuation of environmental benefits) and business case assessment and integration into success story templates.
- Develop a system and preliminary processes to distill, communicate and mobilize high-value lessons learned.
- Make revisions to digital recognition toolkit and media toolkit for members.
- Draft architecture of the online database highlights high-impact projects and award-winning municipal initiatives.
- Develop a plan for recognition and awards programming going forward.

Key Result Area 11: Maintain excellence in governance, due diligence, project funding and oversight while balancing risks with returns

Programs like GMF need a strong performance management framework. It keeps them focused and makes them easier to manage. Strategic analysis and evaluation of GMF's activities over the years has shown that GMF has strong financial controls, project funding systems and environmental performance reporting.

It has also revealed gaps in GMF's economic results performance framework. That is particularly true of its ability to bring other investments into the sector and the way in which other key focus areas (e.g. replication) are not optimized in GMF's funding process or capacity-building efforts. Further, it has identified GMF's struggles to balance the risk and level of effort in initiatives with their potential rewards and results.

GMF needs to clearly articulate which risks are **worth taking** and the parameters for risks it **can take**. That will enable it to be focused, effective and disciplined in its efforts to advance more transformative innovation opportunities. The five-year outcomes for this work package enable the development of a performance measurement system. This system will articulate GMF's sector contributions and the progress it makes toward delivering on its mandate and ensuring optimal results from its operations.

Expected five-year outcomes:

- a) Establish a performance framework and monitoring system to track and transparently report on GMF's economic, environmental and social contributions across its focus subsectors. Use this to help assess the effectiveness of GMF's operations.
- b) Carry out research to track the following:
 - The impact and influence of GMF funding
 - The economic, social and environmental impacts of GMF-supported projects
 - The long-term environmental performance of GMF capital projects
- c) Optimize GMF's due diligence, funding and oversight processes to ensure the achievement of key performance indicators and enable staff to prioritize projects and programming that will provide the highest results.
- d) Set clear, FCM-approved risk thresholds and operating boundaries. These include risk management criteria that help staff innovate and generate maximum results for GMF and the broader municipal sector.
- e) Demonstrate a measurable increase in:
 - The municipal sector's transformation rate (e.g. positive economic and environmental

- impact, replication rates)
 - The value GMF provides to clients, particularly through the breadth of resources and solutions clients can access through GMF
 - The effectiveness of GMF's operations
- f) Achieve exceptional results consistent with a high-performing, well-managed and value-adding policy instrument in any third-party or Government of Canada evaluation of GMF.

Anticipated outcomes 2018–2019
<ol style="list-style-type: none"> 1. The GMF economic leveraging performance measurement system and externally reported results begin to address OAG concerns. 2. Improved understanding of the leverage of GMF investments and sources of funding for capital projects. 3. Enhanced understanding of the effectiveness of the GMF funding offer and capacity-building efforts in achieving overarching objectives. 4. Quality reporting on GMF's performance (service timelines, funding targets and distributions) which influences the offer design and strategic priorities for investment. 5. Efficient administrative processes that are in alignment with internal and Council strategy and policy and briefing documentation that enables sound decision-making on funding opportunities. 6. Preparation for next external evaluation advanced.
Planned deliverables 2018–2019
<ul style="list-style-type: none"> • Preliminary report on the GMF leveraging effect through an analysis of actual project costs and partner funding by category for completed projects. • Identification of next steps to improve monitoring and reporting of the GMF leveraging effect by assessing the feasibility of reporting on new economic metrics such as costs savings and leverage through replication of GMF initiatives. • Analysis of the implications of the improved reporting and proposal of ways to mitigate impact on: internal systems, applicants, and resource implications. • Analysis of the long-term performance of capital projects completed. • Identify the next subsector for conversion study and implement the study. • Deliver enhanced reporting on triple bottom line impacts from GMF initiatives in its annual report. • Develop external reporting metrics for knowledge - and capacity - building results. • Develop internal monthly (or quarterly, where appropriate) dashboards to enable tracking of administrative performance on service timelines, funding targets and availability, disbursements and other key program performance indicators. • Implement and monitor effects of improvements to application approval recommendations throughout the year and ensure processes continue to reflect Council priorities (e.g. innovation and replicability, Fund sustainability and urban/rural and regional balance) and ensure timely funding to recipients. • Annual results entered for 2018–2019 in the appropriate sections of the GMF Performance Measurement Framework reflect continued growth in GMF contributions to the sector. • Complete draft TOR for next GMF external evaluation.

Appendix A:

Risk profile and target risk allocations

**Table 1: Risk profile of the total loan portfolio
(committed and outstanding)**
At December 31, 2017

Committed and outstanding loans	Percentage of total portfolio	Objectives for 2017–2018	Objectives for 2018–2019
Low-risk (A)	57.42%	At least 30%	At least 30%
Low- to medium-risk (B)	26.99%	At least 20%	At least 20%
Medium-risk (C)	12.11%	Up to 25%	Up to 25%
Medium- to high-risk (D)	2.54%	Up to 10%	Up to 10%
High-risk (E)	0.94%	Up to 15%	Up to 15%
Unacceptable risk (F)	0%	0%	0%
Total	100%		

As of December 31, 2017, the total loan portfolio (Table 1) was within the risk-allocation targets set for 2017–2018. During the first three quarters of 2017–2018, there were no material changes to the risk profile of the total loan portfolio. With a prepayment of a private-sector brownfield loan, the overall exposure for the high-risk (E) category has reduced to less than one per cent of the overall loan portfolio. For further analysis on changes in the risk profile of the loan portfolio, please see Table 2 and Table 3 as well as the accompanying notes.

The total loan portfolio continues to remain weighted toward the low-risk municipal sector, as there is greater demand in for this category. GMF will be opportunistic and take calculated risks with respect to private-sector deals to ensure fund sustainability. GMF is continuing its efforts to build the medium-risk portfolio, to improve yields and for better portfolio diversification.

Table 2: Risk profile of the outstanding loan portfolio
At December 31, 2017

Risk level	Number of loans	Outstanding loan amounts (\$ million)	Percentage of total outstanding loans
A	72	177.1	60.3%
B	33	68.5	23.3%
C	9	33.7	11.5%
D	2	11.3	3.9%
E	1	3.1	1.0%
Total	117	293.7	100%

The risk profile of the outstanding loan portfolio (Table 2) shows the risk distribution of loans that are disbursed and in repayment. At December 31, 2017, 117 loans were mostly or fully disbursed, for an aggregate outstanding amount of 293.7 million.

Table 3: Risk profile of the committed loan portfolio

At December 31, 2017

Risk level	Number of loans	Committed loan amounts (\$ million)	Percentage of total committed loans
A	19	75.3	51.0%
B	9	51.5	34.9%
C	3	20.9	14.1%
D	0	0	-
E	0	0	-
Total	31	147.7	100%

The committed loans (i.e. approved but not yet disbursed) have also been assigned a risk level. At December 31, 2017, 31 loans were committed, for an aggregate committed amount of \$147.7 million. A significant portion of the committed loan amount is projected to be disbursed during the next 12 months.

Table 4: Annual risk allocation targets for the 2018–2019 funding envelope

Streams	Risk category	Targets		
		Loan approvals	Loan approvals (in millions)	Interest rate (average)
1	Low-risk (A) Low- to medium-risk (B)	80%	40.0	4.10%
2	Medium-risk (C) Medium- to high-risk (D)	20%	10.0	4.63%
3	High-risk (E)	0%	0.0	0.0%
Total/Average		100%	50.0	4.21%

Targets

The risk targets have been determined taking into consideration the current pipeline, empirical evidence of the past few years and consultations with the GMF Funding Services and Marketing units, as they engage with borrowers on a regular basis.

As demand for loans consistently originates from the municipal sector (Stream 1), 80 per cent of the loan funding envelope for 2018–2019 has been retained for Stream 1 projects. Targeted marketing efforts to build the Stream 2 portfolio are underway to ensure portfolio diversification and fund sustainability. As such, only 20 per cent of the loan funding envelope for 2018–2019 has been set aside

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for Stream 2. Although there are no targets established for high-risk private-sector deals (Stream 3), any opportunities in this sector will be thoroughly scrutinized from a risk-reward perspective in consideration of Fund sustainability. Pursuant to the signing of the revised Funding Agreement, the loan and grant targets will be revised.

Loan interest rates

An average interest rate of 4.21 per cent is targeted for 2018–2019, which is well above the 3.34 per cent target established for the previous fiscal year. Overall interest rates have been on the rise, which will also tremendously benefit GMF. GMF continues to maintain a competitive advantage compared to its peers in terms of pricing, in order to remain attractive to its borrowers while also continuing to explore innovative ways, through its pricing policy, to improve overall yield and thus augment Fund sustainability. For municipalities, GMF must remain a lender of first choice.

Appendix B: Compliance indicators 2018–2019

The following tables outline the Funding Agreement (FA) requirements and associated compliance indicators. Pursuant to the signing of the revised Funding Agreement, certain targets will be revised. FCM staff will report quarterly to the GMF Council on progress against these indicators in 2018–2019.

Urban-Rural balance		
The GMF Council oversees funding recommendations and advises the FCM Board on an appropriate urban-rural balance of approved grants and loans in Canadian communities.		
Indicator	Status at December 31, 2017 (since inception)	Target 2018–2019
Net approved grants and loans to urban communities compared to total net approved (81.1% of Canadian population)	\$673.8M net approved to urban communities, representing 79.6% of total net approved funding 879 net number of approved projects in urban communities, representing 69.9% of total net approved initiatives	\$49.4M, representing 81% of total available funding for 2018–2019
Net approved grants and loans to rural communities compared to total net approved (18.9% of Canadian population)	\$172.8 net approved to rural communities, representing 20.4% of total net approved funding 378 net number of approved projects in rural communities, representing 30.1% of total net approved initiatives	\$11.6M, representing 19% of total available funding for 2018–2019

FCM defines rural communities as all municipalities with a population of less than 10,000 and all regional municipalities where each of the member municipalities has a population of less than 10,000. “Net approved” refers to the total gross number of initiatives (or amount of funding) approved, including plans, feasibility studies, pilot projects and capital projects, less those that were withdrawn or cancelled.¹ Historically, the value of GMF funding to urban and rural communities has been close to the population ratio of 81:19. In the last five years, there has been a greater proportion of funding approved to rural communities; however, the percentage of cumulative net approved funding is close to being in balance (one per cent difference).

¹ Not all approved initiatives are funded. Some approved initiatives are withdrawn (when circumstances prevent the project from commencing) and some are cancelled, when a portion of the approved funding is not disbursed due to either a change in project scope or a decreased level of eligible costs compared to those originally budgeted.

Regional balance		
The GMF Council oversees funding recommendations and advises the FCM Board on an appropriate regional balance of approved grants and loans across Canada.		
Indicator²	Status at December 31, 2017 (since inception and five-year period)	Target 2018–2019³
Approved GMF funding to Quebec (23.6% of Canadian population)	<p>Cumulative since inception: \$137.8M net approved to Quebec, representing 16.3% of total net approved funding</p> <p>Five-year period (Since FY 2012–2013): \$61.3M net approved to Quebec, representing 26.3% of total net approved funding</p>	\$14.4M, representing 23.6% of total available funding for 2018–2019
Approved GMF funding to Prairies region — Alberta, Manitoba, Saskatchewan (17.6% of Canadian population)	<p>Cumulative since inception: \$119.7M net approved to Prairies, representing 14.1% of total net approved funding</p> <p>Five-year period (Since FY 2012–2013): \$54.8M net approved to Prairies, representing 23.5% of total net approved funding</p>	\$10.7M, representing 17.6% of total available funding for 2018–2019
Approved GMF funding to British Columbia (13.1% of Canadian population)	<p>Cumulative since inception: \$157.4M net approved to British Columbia, representing 18.6% of total net approved funding</p> <p>Five-year period (since FY 2012–2013): \$50.6M net approved to British Columbia, representing 21.75% of total net approved funding</p>	\$8.0M, representing 13.1% of total available funding for 2018–2019
Approved GMF funding to Northern region — Yukon, Northwest Territories, Nunavut (0.3% of Canadian population)	<p>Cumulative since inception: \$9.8M net approved to the Northern region, representing 1.2% of total net approved funding</p> <p>Five-year period (Since FY 2012–2013): \$8.3M net approved to the Northern region, representing 3.5% of total net approved funding</p>	\$183K, representing about 0.3% of total available funding for 2018–2019

² All population figures are based on 2011 Census data.

³ Targets for 2018–2019 have been adjusted compared to the proportional population in each region, to account for the difference in cumulative net approvals between regions. FCM will not proactively seek applications from oversubscribed regions. However, FCM will consider eligible and innovative funding applications from these regions.

Approved GMF funding to Ontario (38.4% of Canadian population)	<p>Cumulative since inception: \$291.0M net approved to Ontario, representing 34.4% of total net approved funding</p> <p>Five-year period (since FY 2012–2013): \$32.7M net approved to Ontario, representing 14.0% of total net approved funding</p>	\$23.4M, representing 38.4% of total available funding for 2018–2019
Approved GMF funding to Atlantic region — New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador (7.0% of Canadian population)	<p>Cumulative since inception: \$130.9M net approved to the Atlantic region, representing 15.5% of total net approved funding</p> <p>Five-year period (since FY 2012–2013): \$25.89M net approved to the Atlantic region, representing 11.1% of total net approved funding</p>	\$4.3M, representing 7% of total available funding for 2018–2019

To meet the regional balance directive in the GMF Funding Agreement, FCM has divided Canada into six regions, as shown in the table above. “Net approved” refers to the gross number of initiatives (or amount of funding) approved — including plans, feasibility studies, pilot projects and capital projects — less those that were withdrawn or cancelled.⁴

Since inception, funding approvals have been approximately proportional to the regional demographics, except in Quebec, where the cumulative net approved funding since inception is currently at 16.3 per cent compared to its relative population of 23.6 per cent, and, to a lesser extent, Ontario, where the cumulative net approved funding since inception is at 34.4 per cent compared to its relative population of 38.4 per cent.

To increase the number of applications from Quebec and Prairie municipalities and their partners, various initiatives have been successfully implemented over the last few years as part of a comprehensive strategy. These activities have resulted in a notable increase in the amount of approved funding in Quebec, as seen in the larger proportion of funding allocated in the most recent five-year period. Similar results have been obtained for the Prairies in the most recent five-year period. FCM will not proactively seek applications from regions that are oversubscribed based on data from the most recent five-year period. However, FCM will consider eligible and innovative funding applications from these regions.

Funding allocated to Ontario over the last five-year period is 14.0 per cent of the total amount, compared to 34.4 per cent of total funding awarded since inception. FCM will consider this gap in Ontario as part of GMF’s strategic analysis of applications received under the competitive intake for capital projects.

⁴ Not all approved initiatives are funded. Some approved initiatives are withdrawn (when circumstances prevent the project from commencing) and some are cancelled, when a portion of the approved funding is not disbursed due to either a change in project scope or a decreased level of eligible costs compared to those originally budgeted.

Funding targets		
FCM shall use its best efforts to:		
<ul style="list-style-type: none"> • Commit \$6–8M per year in grants for plans, studies and pilots tests • Commit \$5–6M per year in grants for capital projects • Commit \$50–70M per year in loans for capital projects 		
Indicator	Average net approved yearly funding since inception ⁵	Target 2018–2019
Total grants approved for plans, studies and pilots	\$5.1M	\$6M
Total grants approved for capital projects	\$5.2M	\$5M
Total loans approved for capital projects (including brownfields)	\$39.4M	\$50M

The FA specifies the range of funding to be committed to municipal environmental initiatives each year through application approvals. FCM understands “committed” to mean approved. “Municipal environmental projects” refers to all eligible project types: sustainable community plans, feasibility studies, pilot projects and capital projects. FCM sets annual targets within those ranges, based on current Fund sustainability considerations, and reports on success in achieving those targets in the Annual Report.

The FA also sets cumulative targets for GMF loans to ensure a minimum percentage of funding for brownfield projects and to establish a minimum percentage of the Fund committed to GMF loans compared to other investments. FCM is monitoring these targets based on “net funding approved,” which refers to the total gross value of the loans allocated to approved initiatives, less any withdrawn funding.⁶

Additional funding targets		
Indicator	Status at December 31, 2017 (since inception)	Target 2018–2019
Percentage of loans outstanding and committed, to Fund assets	76%	Approximately 80%

The percentage of loans outstanding and committed, to Fund assets as of December 31, 2017, is 76 per cent and is slightly below the requirement of at least 80–90 per cent by March 31, 2016. As per best efforts, GMF expects to reach approximately 80 per cent by the end of fiscal year 2018–2019 (the minimum target).

⁵ Average approved funding since inception excludes data from FY 2017–2018 as it is not yet available.

⁶ Not all approved initiatives are funded. Some approved initiatives are withdrawn (when circumstances prevent the project from commencing) and some are cancelled, when a portion of the approved funding is not disbursed due to either a change in project scope or a decreased level of eligible costs compared to those originally budgeted.

GMF investments and loans		
FCM will:		
<ul style="list-style-type: none"> • Maintain Fund Assets of at least \$500 million⁷ • Ensure that at least 15% of any outstanding loans goes to non-municipal-government borrowers • Aim to earn a minimum average of 1.5% per annum above the Government of Canada Bond rate for equivalent terms on loans to non-municipal-government borrowers 		
Indicator	Status at December 31, 2017	Target 2018–2019
Amount of Fund assets (net of the Reserve)	\$578.7M	\$572.5M
Percentage of approved loans committed and outstanding to borrowers other than municipal governments	15.5%	20%
Average interest rate on loans outstanding to borrowers other than municipal governments	4.0%	4.21%

FCM has complied with the FA requirement to maintain Fund assets over \$500 million. At December 31, 2017, the fund balance was \$578.7 million. At the end of 2018–2019, the Fund assets are expected to be lower due to a projected deficit for the fiscal year and an increase in the Reserve for Non-Performing Loans, as required in the FA. FCM ensures that the GMF rates are competitive, so that they are attractive to borrowers. A rising interest rate environment will have a positive impact on Fund sustainability.

Annual audits, program planning and reporting	
FCM will:	
<ul style="list-style-type: none"> • Maintain separate accounts for the Fund, conduct an annual independent third-party financial audit and submit the audited financial statements by August 31 • Publish and submit an annual report of GMF activities and performance by August 31 • Provide an Annual Statement of Plans and Objectives by January 31 • Complete an independent third-party five-year review and performance audit of GMF 	
Indicator	Target 2018–2019
External audit of the 2017–2018 financial operation of the Fund	June 2018
Publication of the 2017–2018 <i>GMF Annual Report</i> and distribution to	August 31, 2018

⁷ Excluding the value of the Reserve for Guarantees and the Reserve for Non-Performing Loans.

the Minister of Environment and Climate Change, the Minister of Natural Resources, and the Minister for Infrastructure and Communities, for tabling in Parliament	
Publication of the 2019–2020 ASPO and distribution to the Minister of Environment and Climate Change, Minister of Infrastructure and Communities and the Minister of Natural Resources, for tabling in Parliament	April 1, 2019
Submission of five-year review and performance audit to the Minister of Environment and Climate Change, Minister of Infrastructure and Communities and the Minister of Natural Resources, for tabling in Parliament	September 30, 2019

As outlined in the FA, FCM is required to submit an Annual Statement of Plans and Objectives (ASPO) and an Annual Report for GMF to the Minister of Environment and Climate Change, Minister of Infrastructure and Communities and the Minister of Natural Resources. The ASPO is a high-level plan that outlines how FCM will work to attain the objectives and goals articulated under each key result area in the GMF's Five-Year Strategic Plan 2018-2023. The ASPO 2018–2019 aligns with the GMF Strategic Plan and FCM's overall strategic objectives.

In 2014, FCM engaged Ernst & Young to perform its most recent five-year review and performance audit of GMF as required under the FA. Subsequent to the submission of the auditor's final reports to the Ministers, FCM prepared a multi-year action plan to address the auditor's recommendations. Status updates on the implementation of the action plan are provided to GMF Council on an annual basis. The next five-year review and performance audit will take place in 2019.

Appendix C: GMF Budget 2018–2019

This table outlines the GMF budget for the 12 months ending March 31, 2019.

Expenses	Budget 2018–2019 (\$)
Management (also includes operating expenses such as audit, rent, and allocations for information systems, finance and human resources)	3,734,100
Risk Management Unit	477,100
GMF Council	524,000
Marketing	463,000
Communications	927,400
Research and Development	712,200
Funding Services (including Peer Review Committee)	1,373,300
Knowledge Services	1,392,900
Total expenses	9,604,000
Maximum budget allowed	10,500,000

Appendix D: GMF logic model

Figure A-1 is GMF's logic model, which articulates its purpose, subsector visions and intermediate outcomes. The top level is fairly consistent with the logic model in GMF's previous three-year plan, though there is a new emphasis on hastening the transition to sustainability. The logic model also lists the work packages GMF needs to undertake in order to have a complete set of tools that address the municipal sector's sustainability needs. Work packages are split into three categories:

- Existing GMF areas of focus (few changes are proposed as they are working well)
- Traditional GMF areas of focus in which there are promising opportunities for enhancement or realignment
- Net new GMF work packages

The numbering below each intermediate outcome goal refers to the relevant work package listed on its right.

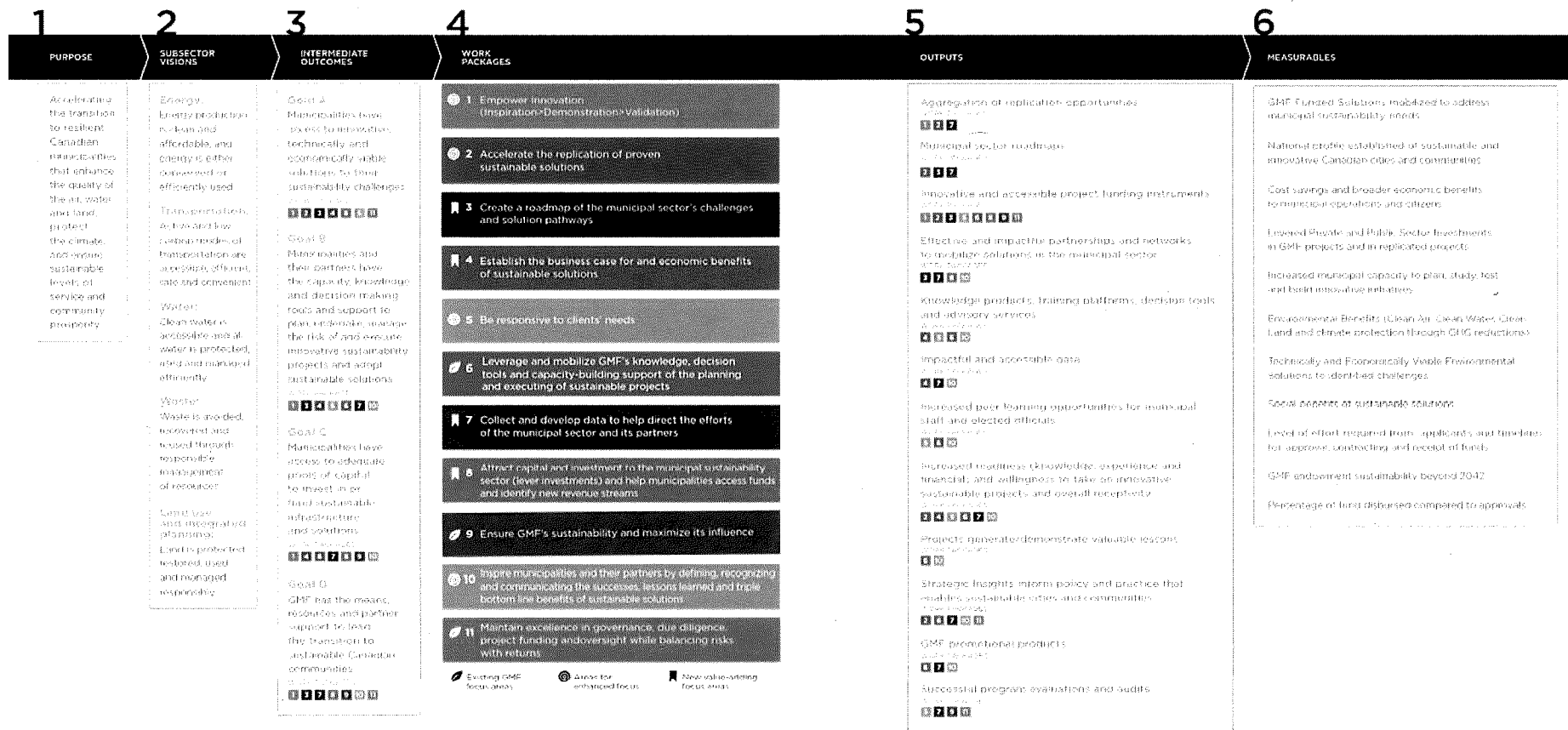


Figure A-1 — GMF logic model